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# ATTACHMENT

## “A”

# SoCalGas and SDG&E 2016 General Rate Cases

# Areas of Discussion

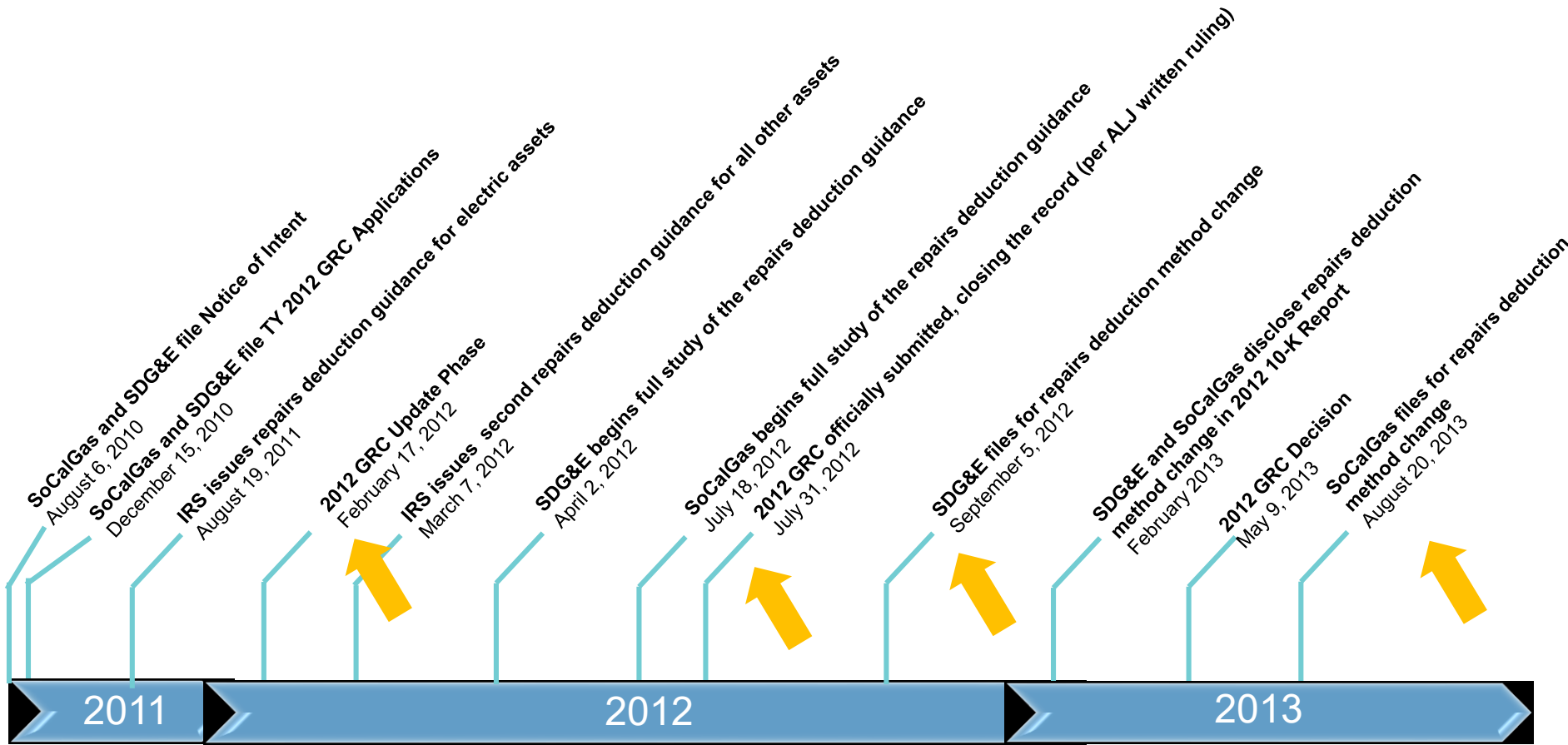
- » Tax repairs deduction
- » Tax memorandum account
- » Bonus depreciation

# Tax Repairs Allowance

- » What are they?
- » Timing of elections.

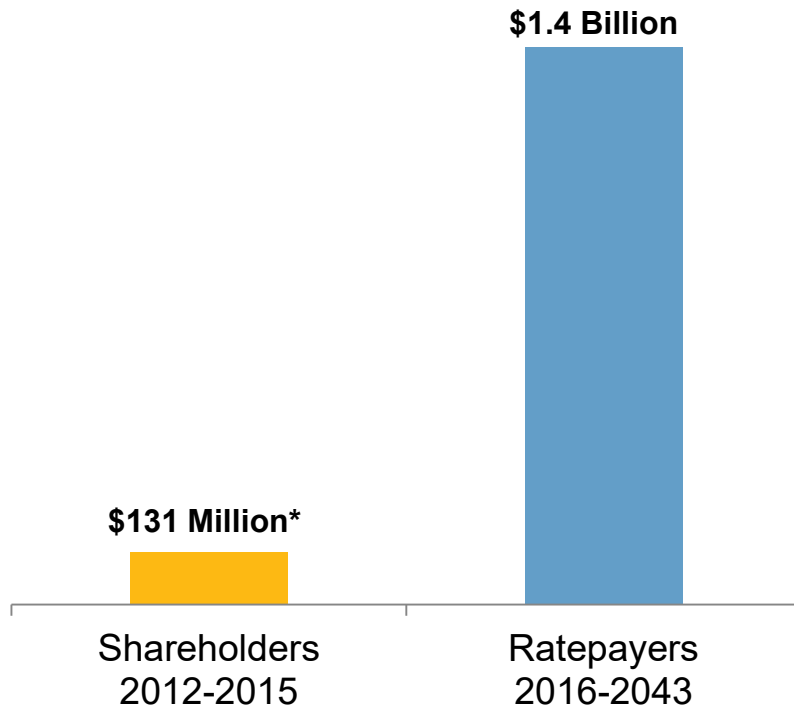
# SoCalGas and SDG&E TY 2012 GRC

Timeline of Key Events  
2010 – 2013

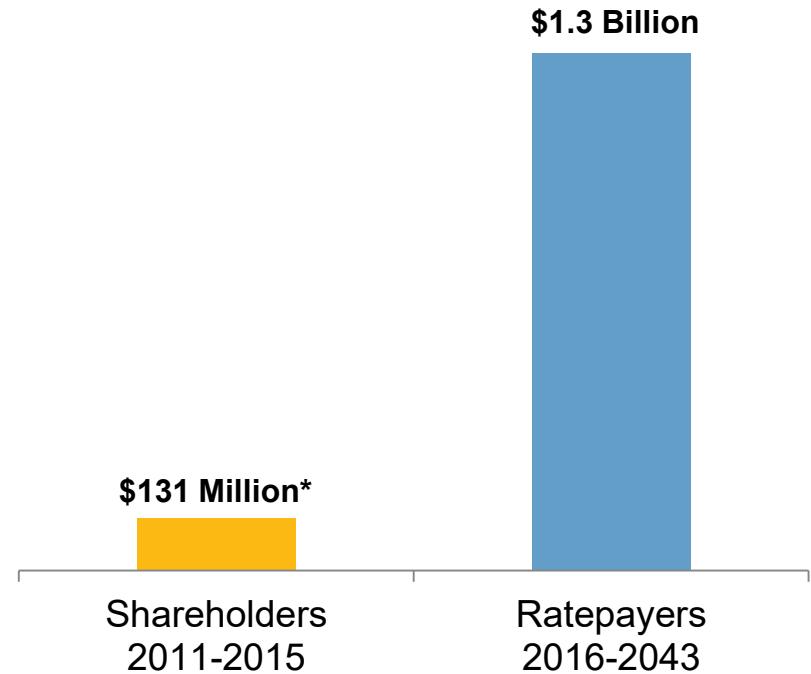


# Ratepayer/Shareholder Benefit Comparison (Revenue Requirement)

## SoCalGas



## SDG&E



\*TURN's estimate of shareholder benefit. SEU did not contest the amount.

# Key Distinguishing Factors

- » SEU's tax returns, which claimed the repairs deduction under the method change, are still subject to IRS audit.
- » During the 2011-2043 period considered by TURN, there is not a single year or combination of years in which the ratepayer is not better off on a net basis as a result of the tax method change employed by SEU.
- » As shown in our timeline, the ALJ had issued a written ruling in our 2012 GRC, closing the GRC record before either utility had made the method change or had disclosed its intent to make the method change in published financial statements.
- » SEU proposed a Post Test Year earnings sharing mechanism in the 2012 GRC, which would have captured and shared savings in between GRCs for ratepayers; however, that mechanism was rejected by the Commission.

# Edison - Tax Accounting Memorandum Account

- » (1) any income tax accounting method change associated with the Internal Revenue Service (IRS) or California Franchise Tax Board (CFTB) for tax years 2015 through 2017,
- » (2) any changes in Federal or California tax law, final or temporary regulations or other administrative guidance that impacts the determination of depreciation and/or repair deductions for tax years 2015-2017 (including, but not limited to, the impact from the Tax Increase Prevention Act of 2014 on years 2015-2017 and the impact from the Protecting Americans from Tax Hikes Act (PATH) of 2015),
- » (3) the difference between authorized and recorded Federal and California non-pole loading net repair deductions for 2015-2017,
- » (4) any adjustments arising from audits, administrative appeals proceeding or litigation impacting items 1-3 above and
- » (5) a change in authorized revenue requirements as determined by the CPUC, if any, resulting from an IRS private letter ruling regarding compliance with normalization regulations.



# Bonus Depreciation

## PG&E 2011 GRC

- » **October 15, 2010** – GRC settlement agreement.
- » **December 17, 2010** – President Obama signed the Tax Relief Act providing for 100% bonus depreciation
- » **April 14, 2011** – CPUC Resolution L-411 directed PG&E and other utilities to establish a memorandum account to track the revenue requirement impacts from the Tax Relief until the next General Rate Case.
- » **May 5, 2011** – CPUC Final Decision (D.11-05-018) PG&E TY 2011 GRC.

## SEU 2016 GRC

- » **September 11, 2015** – GRC settlement agreement.
- » **December 18, 2015** – Protecting Americans from Tax Hikes Act of 2015 (PATH), extends bonus depreciation through 2019.
- » **NA**
- » **May 19, 2016** – CPUC Proposed Decision

# 2011 Impact and Computational Errors in the PD

<del>2011</del>	2012	2013	2014	<del>2015</del>
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- » 2015 is double counted (captured in the 2015 tax memo account and captured in the PD rate base adjustment)
- » Model adjustment: Reduce bonus depreciation for the impact of the 2015 tax repairs memorandum account in order to avoid a double counting of benefits (if an expenditure is treated as a repair, it cannot also be depreciated)
- » 2011 is from the 2008 GRC Cycle (SDG&E Only)